OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Web Version

March 31, 2012

Operations of the Office

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

July 2012

The Honourable Daryl Reid
Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

It is an honour to provide you with my report titled, *Operations of the Office for the year ended March 31, 2012*, to be laid before Members of the Legislative Assembly in accordance with the provisions of Sections 26(2) and 28 of *The Auditor General Act*.

Respectfully submitted,

Carol Bellringer

Carol Bellringer, FCA, MBA
Auditor General

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Message from the Auditor General

I am pleased to provide the Legislature with our annual *Operations of the Office* report for the year ended March 31, 2012. This includes information about our Office, a list of audits completed during the year, a description of our work with the Public Accounts Committee, and a list of audits we will be completing in the future.

Our most important measure of success is how well we have helped the Legislature. We assist the Legislature by completing reports on our work, by discussing those reports with members of the Public Accounts Committee, and by providing advice throughout the year to officials and members of the Legislature. We are a small part of a much larger network of public accountability and transparency – but we see ourselves as an important catalyst in making that network work effectively. We also see ourselves as an important safety net if the network fails.

To fulfil our role, we need to be an effective and efficient Office. Our management team guides the work of over 50 staff members. I thank the management team for their hard work again this year – Jack Buckwold, Sandra Cohen, Greg MacBeth, Norm Ricard and Tyson Shtykalo.

This past year, we completed financial statement audits which are required by legislation and audits and reviews (projects) that we select independently.

In January 2012, we issued 2 reports on our work. One was a follow-up report of previously issued recommendations. The other was our annual report to the Legislature with 8 chapters as follows:

Chapter 1: Accounts and Financial Statements – *The Auditor General Act, Section 10 Annual Report*

Chapter 2: Appointment Process to Agencies, Boards and Commissions

Chapter 3: Animikii Ozoson Child and Family Services Agency – *First Nations of Southern Manitoba Child and Family Services Authority; Department of Family Services and Consumer Affairs*

Chapter 4: Food Safety – *Department of Agriculture, Food and Rural Initiatives; Department of Health*

Chapter 5: Personal Injury Protection Plan – *Manitoba Public Insurance*

Chapter 6: Special Needs Education – *Department of Education*

Chapter 7: Taxation Division, Audit Branch – *Department of Finance*

Chapter 8: Wireless Network Security – *Winnipeg Regional Health Authority and Manitoba eHealth; Manitoba Lotteries Corporation*

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In June 2012, we issued a report on our audit of the *Rural Municipality of St. Clements*.

Section 16 of *The Auditor General Act* permits the Lieutenant Governor in Council (Cabinet), the Minister of Finance, or the Public Accounts Committee to request a special audit. In July 2011, the Minister of Finance requested that we perform a forensic review of the records of the Office of the Fire Commissioner, as a result of an internal audit review. We agreed to do so. To date, we have provided the Department of Finance with periodic updates and expect to be able to report publicly on the results of our work later this year.

Over the next year, we will issue our annual follow-up report along with a separate follow-up report on our December 2006 *Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices*. We will also issue an annual report in January 2013 covering all of the projects we have completed to that date.

We are continuing our work on the following projects listed in last year's Operations report:

- Correctional services – The Department of Justice's processes for infrastructure planning, supervising offenders in the community, rehabilitation planning, and gathering and reporting performance information.
- eHealth – Controls in place around certain aspects of the electronic health records program.
- Framework for an ethical environment in government – The government's framework for ensuring all public servants have a strong understanding of the values and ethical expectations within the civil service.
- Forks North Portage – The Province's role in managing Forks North Portage.
- Investigation of ATM fraud at Misericordia Health Centre, and the Winnipeg Regional Health Authority's follow-up.
- Manitoba Early Learning and Childcare Program – The Department of Family Services and Labour's oversight of the child care (daycare) services offered in child care centres and family child care homes.
- Provincial Nominee Program – The Province's Provincial Nominee Program for business as managed by the Department of Entrepreneurship, Training and Trade.
- Senior management expenses – A compliance audit of certain expenses across the government reporting entity.

We have added the following audits to this list:

- Employment equity – The Province's progress towards aboriginal recruitment and retention.
- Information technology – The policies and practices to ensure effective information and security management by the Business Transformation and Technology Division of the Department of Innovation, Energy and Mines.
- Information technology – The policies and practices to ensure effective server virtualization (consolidation of server capacity) by the Business Transformation and Technology Division of the Department of Innovation, Energy and Mines.

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- Industrial control systems – Manitoba Hydro's management of industrial control systems.
- Flood costs – The Province's management of payments related to the 2011 spring flood.
- Rural Municipality of Lac du Bonnet – The RM's compliance with legislation and administrative practices.
- Stars air ambulance contract – The Department of Health's process of awarding the contract.

Two additional priority areas are of interest to my Office. First, we are looking at ways to assist the Legislature with its discussions around debts and deficits. While our Act prohibits us from commenting on the merit of policy, policy discussions should take place with full sets of facts. We plan to find ways to research and report on these matters within the constraints of our legislation. Second, our Office has been named in *The Public-Private Partnerships Transparency and Accountability Act* which was recently enacted. We will need to develop a process to review any reports sent to us under that Act.

I would like to thank the many people who work tirelessly for the citizens of Manitoba and who make my job a rewarding one – members of the Legislative Assembly and in particular the Public Accounts Committee; staff, officials and board members in central government and government organizations; and each and every person in the Office of the Auditor General.

Carol Bellringer, FCA, MBA
Auditor General

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1.0 Our role and purpose

Our mandate

The Auditor General Act (Appendix A) establishes the Office of the Auditor General as an independent office, reporting to the Legislative Assembly. The Auditor General is appointed for a 10-year renewable term. The current Auditor General was appointed in July 2006.

The Act outlines our responsibilities and authorities to audit financial statements, to select other projects, and to conduct special audits on request.

We have the responsibility, under Section 9 of the Act, to examine and audit the financial statements in the Public Accounts under *The Financial Administration Act*, and any other statements the Minister of Finance presents for audit. The output from these audits is an opinion on the fairness of presentation of the financial statements or other financial information.

The Auditor General also has the authority, under the Act, to audit all government organizations (Section 14) and recipients of public money (Section 15) and to provide Members of the Legislature and officials with independent information, advice, and assurance on whether:

- Financial and administrative legislation, regulations, policies and directives have been complied with.
- Public money has been spent with proper regard for economy and efficiency.
- The Legislative Assembly has been provided with appropriate accountability information.
- The form and content of financial information documents is adequate and suitable.

We refer to these other audits and reviews as projects in this report. To select these projects, we consider a number of factors, including risk and significance of the subject matter, potential impact of our audit work, public interest, and staff availability.

Section 16 of *The Auditor General Act* permits the Lieutenant Governor in Council (Cabinet), the Minister of Finance, or the Public Accounts Committee to request a Special Audit. We are obliged to accept these requests unless they interfere with our primary responsibilities. This is an important opportunity for the Legislature to use the skills available in our Office, combined with our legal access to documents and examination powers under Part V of *The Evidence Act*. In July, 2011, the Minister of Finance requested that we perform a forensic review of the records of the Office of the Fire Commissioner as the result of an Internal Audit review. We agreed to do so. To date, we have provided the Department of Finance with periodic updates and expect to be able to report publicly on the results of our work in our annual audit report to the Legislature.

The Act gives responsibility for internal operations of the Office to the Auditor General. A copy of the Act is included in this report, as Appendix A.

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Our vision

The Office of the Auditor General is an accessible, transparent and independent audit office, serving the Manitoba Legislature with the highest standard of professional excellence.

Our desired outcomes

- Government organizations focus on results.
- Government organizations produce meaningful, user-friendly performance reports for the public.
- The Public Accounts Committee and the Legislative Assembly closely monitor the spending of public funds.

Our objectives

- To add value to the management systems and practices of government organizations.
- To provide Members of the Legislative Assembly with relevant information.
- To manage our internal business effectively.

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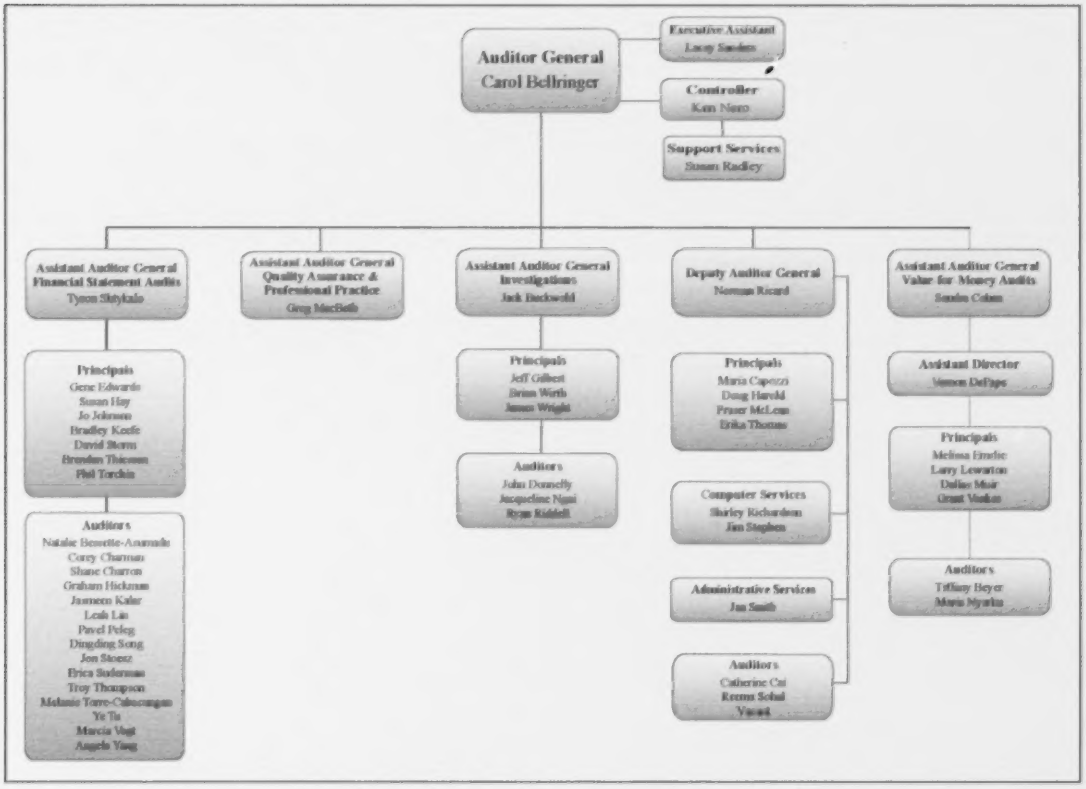
Organizational structure

Our organizational structure and members of our staff as at July 31, 2012 are presented below.



2.0 The Public Accounts Committee of the Legislature

The Public Accounts Committee (PAC) is an all-party Standing Committee of the Legislature chaired by a member of the official opposition and vice-chaired by a member of the governing party. The PAC's primary role is to examine the financial administration of public assets and spending of public funds.

We include a section in our Operations Report on the PAC because of the roles of the Office of the Auditor General and the PAC in the accountability cycle. Our relationship to the PAC extends on a number of fronts: under our legislation, our reports to the Legislature are referred to the PAC; the Auditor General is expected to attend meetings of the PAC; and PAC may request the Auditor General to perform a special audit.

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During its meetings, the PAC considers our audit reports and when it has concluded its deliberations, it passes our reports. Passing our audit reports means that the Committee has finished considering the report and has no further questions.

The PAC could also prepare a report to the Legislature on its examination of any of our reports and could include additional recommendations in its reports. As such, the PAC can play an important role in ensuring that our recommendations are appropriately acted on. In fact, the PAC's procedural rules should entitle it to systematically follow up on Government's actions and responses to its recommendations to complete the accountability cycle. The nature of this follow-up is currently under review by the Committee.

The PAC is required by the Rules of the Legislative Assembly to hold between 6 and 8 meetings each calendar year. The PAC held 4 public meetings during the 2011 calendar year. While they did not meet the minimum number of meetings required by the rules, they exceeded the maximum in the previous 2 years and in 2012, 8 meetings have already been held. One reason the committee did not meet between May 25, 2011 and December 16, 2011 was that a general election was held in October. We were pleased that the Committee appointed a Chair and Vice-Chair at the meeting in December to enable the Committee to regain its momentum. This was followed by a successful orientation session in February 2012, attended by Committee members as well as other members of the Legislature interested in learning about the PAC. The session was facilitated by staff of the CCAF-FCVI, a national not-for-profit organization which supports oversight bodies in Canada and internationally.

The progress made by Manitoba's PAC over the last few years is nothing short of remarkable. In my view, the main reason is that members from both sides of the Legislature have shown a commitment to improving it. The support from various other people – including the previous and current Committee clerks, the full-time Legislative Assembly researcher, and staff within my office has contributed to the progress. The Chair, Vice-Chair, the clerk, researcher, and I meet as a steering committee to assist the full PAC. The PAC regularly meets in-camera prior to the public meeting to resolve administrative issues and to receive briefings from my Office on the audit reports. These meetings have contributed to progress. In addition, there is a national association of Canadian Public Accounts Committees which meets annually in conjunction with the Canadian Conference of Legislative Auditors. The sharing of knowledge at these meetings, as well as at the orientation sessions have also played a role.

The record of all public meetings are available on the Legislative Assembly website **http://www.gov.mb.ca/legislature/hansard/index.html**, under "committee debates":

February 9, 2011
Performance Audits dated December 2010:
Chapter 1: Managing Climate Change

The Committee did not complete consideration of Chapter 1.

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March 16, 2011
Performance Audits dated December 2010:
Chapter 3: Special Audit: Society for Manitobans with Disabilities

The Committee completed consideration of Chapter 3.

May 25, 2011
Performance Audits dated December 2010:
Chapter 2: Economic Development: Loans and Investments under The Development Corporation Act

Audit of the Public Accounts for the fiscal year ending March 31, 2010

The Committee did not complete consideration of either report.

December 16, 2011
Operations of the Office for the years ending March 31, 2010, and March 31, 2011

The reports both passed.

February 15, 2012
Audit of the Public Accounts for the year ending March 31, 2010

The report passed.

March 8, 2012
Manitoba's Participation in Canada's Economic Action Plan dated May 2011

The report did not pass.

March 21, 2012
Manitoba's Participation in Canada's Economic Action Plan dated May 2011

Follow-Up of Previously Issued Recommendations dated March 2011
- Section 6: University of Winnipeg – Investment in Information Technology
- Section 7: University of Winnipeg – Financial Review
- Section 8: Department of Advanced Education – Student Financial Assistance Program
- Section 9: Keewatin Community College – Investment in Information Technology
- Section 10: Red River College of Applied Arts – Science and Technology IT Audit
- Section 14: Department of Family Services and Housing – Public Housing Program
- Section 15: Investigation of the Maintenance Branch of Manitoba Housing
- Section 18: Maintenance Enforcement Program

The following report passed: Auditor General's Report – Manitoba's Participation in Canada's Economic Action Plan dated May 2011

The Committee completed consideration of Sections 6 to 10, 14 and 15 of the Follow-up report but the Committee did not complete consideration of Section 18.

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April 25, 2012
Audits of Government Operations dated November 2009:
Chapter 2: Personal Care Homes Program

Follow-up of Previously Issued Recommendations dated March 2011
- Section 1: Audit of the Pharmacare Program

Follow-up of Previously Issued Recommendations dated January 2012
- Section 10: Monitoring Compliance with The Ambulance Services Act
- Section 11: Pharmacare Program Part 2
- Section 12: Personal Care Homes Program
- Section 13: Winnipeg Regional Health Authority – Administration of the Value-Added Policy

The Committee completed consideration of the Chapter 2 and Section 12 – Personal Care Homes Programs as well as Sections 10 and 13 of the Follow-up report.

The Committee did not complete consideration of Sections 1 and 11 of the Follow-up report.

May 23, 2012
Follow-up of Previously Issued Recommendations dated January 2012

- Section 7: Use of Derivative Financial Instruments in the Province of Manitoba
- Section 8: Audit of Mandatory Legislative Reviews
- Section 9: Public Sector Compensation Disclosure Reporting

The Committee completed consideration of Sections 7, 8 and 9 of the Follow-up report.

June 19, 2012 (Afternoon)
Annual Report to the Legislature dated January 2012:
Chapter 4: Food Safety: Department of Agriculture, Food and Rural Initiatives and Department of Health

The report passed.

June 19, 2012 (Evening)
Annual Report to the Legislature dated January 2012:
Chapter 6: Special Needs Education: Department of Education

The report passed.

July 5, 2012
Annual Report to the Legislature dated January 2012:
Chapter 5: Personal Injury Protection Plan: Manitoba Public Insurance

The report passed.

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The following reports have been issued by the Office, but have not yet been passed by PAC:

Report to the Legislative Assembly – Audits of Government Operations dated November 2009
Outstanding Chapters:
- Chapter 4: Members' Allowances

Report to the Legislative Assembly: Performance Audits dated December 2010
Outstanding Chapters:
- Chapter 1: Managing Climate Change
- Chapter 2: Economic Development: Loans and Investments under the *The Development Corporation Act*
- Chapter 4: Rural Municipality of St. Laurent

Follow-up of Previously Issued Recommendations dated March 2011

Follow-up of Previously Issued Recommendations dated January 2012

Annual Report to the Legislature dated January 2012
Outstanding Chapters:
- Chapter 1: Accounts and Financial Statements: Section 10 Annual Report
- Chapter 2: Appointment Process to Agencies, Boards and Commissions
- Chapter 3: Animikii Ozoson Child and Family Services Agency: First Nations of Southern Manitoba Child and Family Services Authority; Department of Family Services and Consumer Affairs
- Chapter 7: Taxation Division, Audit Branch: Department of Finance
- Chapter 8: Wireless Network Security: Winnipeg Regional Health Authority and Manitoba eHealth; Manitoba Lotteries Corporation

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3.0 Risk management

Risk management is the process of making and carrying out decisions that will minimize the liabilities and effects of possible adverse events (risks) on an entity's performance. We have established controls to reduce the likelihood that identified risks would adversely affect our ability to achieve our mandate and objectives. We are actively looking for solutions to the challenges identified.

Independence

We need to maintain our independence to ensure we provide objective advice to MLAs. To reduce the risk of loss of independence or perceived loss of independence, we comply with the standards of our professional associations and have policies and procedures dealing with due care and objectivity, conflict of interest, and political affiliations.

The Act states that "Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*". We have historically interpreted that to mean that we must follow Civil Service Commission (CSC) and Treasury Board Secretariat (TBS) policies and procedures on hiring, compensation, and classification of staff positions. The staff members that we have worked with have been helpful. However, it is inappropriate that we are subject to decisions of the CSC and TBS while also being their auditor. This is a conflict of interest. This past year we encountered certain difficulties. We will be hiring an external consultant to help us find a solution to this conflict of interest situation.

Credibility

Our reputation is critical to our success. Therefore we must avoid the risk of providing inappropriate or inaccurate assurance and advice. We strive to do this by using best practices in legislative auditing, including strong quality control practices. We welcome peer reviews from professional bodies and our legislative audit colleagues to provide assurance to the Legislature that we are meeting professional standards. We also consider Public Accounts Committee discussions to continually improve the reports we produce.

Relevance of work

For our work to benefit our clients, we must ensure that our reports are meaningful to them. We do this by ensuring our audits deal with significant public sector issues.

Through on-going environmental scans, we remain current on areas of strategic importance for our audit work. For instance, we maintain contact with Members of the Legislature and government officials, hold discussions with members of the Public Accounts Committee, monitor Hansard and media reports, and maintain contact with our colleagues in other jurisdictions and various professional associations in which we hold memberships.

Resources and competencies

The quality of our assurance and advice depends on the knowledge, skills and abilities of our employees. To succeed, we need to recruit and retain high quality professionals. We do this by providing a work environment that supports on-going opportunities for our staff to further develop their skills and by supporting a proper work-life balance.

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4.0 Our audit activities

Our audit activities include financial statement audits and project audits. Our output takes a variety of forms including audit opinions, audit advice, management letters, and reports to the Legislature. In addition, we make a wide variety of presentations on our work to government organizations and at conferences, symposiums, and workshops. Beyond providing observations and recommendations, our reports identify good management practices and learnings that are of general relevance to public sector organizations.

Allocation of audit time

Audit time allocations		
	2010/11	2011/12
Financial statement audits	58%	52%
Project audits	42%	48%
Total	100%	100%

Our goal is to spend equal time on financial statement audits and on project audits. While this is an internal goal, we believe that this reflects the wishes of the Legislature to conduct additional non-financial statement audit work, while meeting our statutory obligations.

Financial statement audits

Strong financial stewardship by government organizations is critical. One of the central ways we support financial accountability is through the annual audit opinions we provide on the financial statements of government organizations and the Public Accounts of the Province. We promote transparency, as well as fair and accurate representation in public sector budgets and financial reporting.

Financial statement audit activities include:

- Performing the necessary examinations to provide audit opinions on annual financial statements, special reports, and public sector compensation disclosures as well as management letters with recommendations on financial management, internal control, compliance, and general operations.
- Conducting overviews of government entities, which may also encompass file reviews of the work conducted by private sector auditors. This work is necessary for us to rely on the work of the private sector auditors, to include those financial statements in the Province's Summary Financial Statements.
- Issuing special reports on financial information, including claims.
- Reviewing compliance with legislation to the extent required for the issuance of financial statement opinions.

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- Working in partnership with the private sector audit firms that we have hired as our agents to provide some of our financial statement attest audits.
- Reporting to the Legislature about the examinations and audits under Section 9 of *The Auditor General Act*, including anything resulting from the work that we consider should be brought to the Assembly's attention.

Projects

Projects consist of value-for-money audits, investigations, information technology audits, and governance reviews.

Value-for-money audits
Value-for-money audits examine programs and services in order to identify the level of performance achieved and opportunities for improving operations and ultimately results. In carrying out value-for-money audits, we examine management practices, operating systems, processes, and control mechanisms. Some of our value-for-money audits are cross-government. For example, examinations of a given topic of strategic importance across departments or across other types of government organizations, such as crown corporations.

Investigations
The typical reason for conducting an investigation is to confirm or dispel allegations. In addition to investigating the allegations, these projects incorporate value-for-money considerations. The investigations team members are experienced forensic accountants who find out what happened, why it happened, and recommend how to avoid similar situations in the future.

Matters are brought to our attention throughout the year by concerned members of the public, the legislature or government employees. During 2011/12, 66 such matters were brought to our attention (2010/11: 41 matters). We conduct preliminary examinations of all such matters, decide which ones are within our mandate and which ones are better investigated by another organization, such as the Office of the Ombudsman. When the matter falls within our mandate, we initiate limited scope audits.

Information technology audits
Information Technology Audit Services (ITAS) assists all of the audit groups as needed. ITAS plans and executes audit work in support of financial statement audits primarily by auditing general computer controls and helping with data analysis. ITAS also directly conducts IT audit projects in high-risk areas.

Governance reviews
We conduct reviews and assessments on issues related to the corporate governance of public sector boards of directors, as well as give presentations and workshops on request. Effectiveness of public sector governance practices contributes to improved organizational performance and stronger accountability processes.

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5.0 Highlights of output for 2011/12

Financial statement audits

- We provided audit opinions or overviews of 170 government organizations' financial statements (See Appendix B for a list of financial statement audits conducted by the Auditor General's office and those conducted by private sector accounting firms with overviews by the Office of the Auditor General) and audit opinions on government organizations' compliance with the reporting requirements of *The Public Sector Compensation Disclosure Act*. In addition to the Summary Financial Statements for the Public Accounts, we audit about 40 entities that are part of the Government Reporting Entity (GRE) as well as the government sponsored pension plans.
- We have the flexibility to hire agents to conduct audits for us when this helps us with scheduling and when it is warranted by the risk of the audit – currently we use agents for about half of our entity financial statement audits. Other entities in the GRE appoint external financial statement auditors for about 130 other crown organizations, government enterprises, and special operating agencies in the GRE. We conduct overview procedures for these other audits to fulfill our responsibilities in this area.
- We issued our report on the Audit of the Public Accounts for the year ended March 31, 2011. This was Chapter 1 of our annual report to the Legislature issued January 2012. Our report included the following highlights:
  - For 2011/12 the Province received an unqualified audit opinion on its Summary Financial Statements. This means that the summary statements present fairly, in all material respects, the financial position and results of operations and cash flow in accordance with Canadian public sector accounting principles.
  - At the end of each of our financial statement audits, we communicate possible improvements to senior management of the Province or to senior management and the board of directors of the organization we audited. If action has not been taken after a reasonable time or if the Legislature should know about the matter immediately, we include that information in our report. This year, we included such information about:
    - The requirement to recognize a liability for sick leave benefits.
    - The annual revaluation of environmental liabilities.
    - Overpayments to pensioners from the Civil Service Superannuation Fund.
    - Accruals for wage settlements in the Manitoba Health Services Insurance Plan.
    - The continuing operations of Leaf Rapids Town Property.
    - The application of incorrect discounts to some driver premiums at Manitoba Public Insurance.
    - Areas for improvement in the information technology environment.

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Projects

In January 2012, we issued 2 reports. One was titled *Follow-up of Previously Issued Recommendations*. We issue such a follow-up report each year to update the Legislature on the status of implementation of our previously issued recommendations. The other was our annual report to the Legislature with 8 Chapters.

Chapter 1: Accounts and Financial Statements – *The Auditor General Act, Section 10 Annual Report*

Chapter 2: Appointment Process to Agencies, Boards and Commissions

Chapter 3: Animikii Ozoson Child and Family Services Agency – *First Nations of Southern Manitoba Child and Family Services Authority; Department of Family Services and Consumer Affairs*

Chapter 4: Food Safety – *Department of Agriculture, Food and Rural Initiatives; Department of Health*

Chapter 5: Personal Injury Protection Plan – *Manitoba Public Insurance*

Chapter 6: Special Needs Education – *Department of Education*

Chapter 7: Taxation Division, Audit Branch – *Department of Finance*

Chapter 8: Wireless Network Security – *Winnipeg Regional Health Authority and Manitoba eHealth; Manitoba Lotteries Corporation*

In June 2012, we issued a report on our audit of the *Rural Municipality of St. Clements*.

6.0 Our planned activities for 2012/13

Financial statement audits

There are no anticipated changes to the list of financial statements that we will audit during 2012/13.

Projects

The following list includes projects which may be nearing completion, others which are in the planning stage, and those which we anticipate starting before the end of the 2011/12 fiscal year. We have not indicated the stage of completion as we consider everything as in progress until our work is reported publicly.

The Auditor General Act requires that a report about the examinations and audits conducted be made at least once each year. The Act also permits a special report to the Assembly on any matter of pressing importance or urgency that should not be deferred until the annual report is presented. We plan to issue our next annual audit report in January 2013. Also, the various chapters in a single report will provide the Public Accounts Committee with a

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full list of audits to be scheduled. We will issue individual reports as special reports to the Assembly, if necessary.

When we do our annual planning, we reassess the value of audits that have not yet been started and analyze potential areas not previously considered. Certain audits listed in last year's report are no longer in our audit plans because we consider them lower priority than the ones we have selected. These are: Special Operating Agencies – whether administrative efficiencies have been achieved through their establishment, an audit of the government's involvement in the new football stadium, an investigation into financial concerns within the NOR-MAN Regional Health Authority, a review of the Province's poverty reduction strategy, an audit of the selection process for wind farms, Southeast Child and Family Services Agency, and board governance practices at the four Child and Family Services Authorities.

Over the next year, we will issue our annual follow-up report along with a separate follow-up report on our December 2006 *Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices*.

We are continuing our audit work on the following project audits which were listed in last year's Operations report:

- Correctional services – The Department of Justice's processes for infrastructure planning, supervising offenders in the community, rehabilitation planning, and gathering and reporting performance information.
- eHealth – Controls in place around certain aspects of the electronic health records program.
- Framework for an ethical environment in government – The government's framework for ensuring all public servants have a strong understanding of the values and ethical expectations within the civil service.
- Forks North Portage – The Province's role in managing Forks North Portage.
- Investigation of ATM fraud at Misericordia Health Centre, and the Winnipeg Regional Health Authority's follow-up.
- Manitoba Early Learning and Childcare Program – The Department of Family Services and Labour's oversight of the child care (daycare) services offered in child care centres and family child care homes.
- Provincial Nominee Program – The Province's Provincial Nominee Program for business as managed by the Department of Entrepreneurship, Training and Trade.
- Senior management expenses – A compliance audit of certain expenses across the government reporting entity.

We have added the following audits to this list:

- Employment equity – The Province's progress towards aboriginal recruitment and retention.

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- Information technology – The policies and practices to ensure effective information and security management by the Business Transformation and Technology Division of the Department of Innovation, Energy and Mines.
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Two additional priority areas are of interest to my Office. First, we are looking at ways to assist the Legislature with its discussions around debts and deficits. While our Act prohibits us from commenting on the merit of policy, policy discussions should take place with full sets of facts. We plan to find ways to research and report on these matters within the constraints of our legislation. Second, our Office has been named in *The Public-Private Partnerships Transparency and Accountability Act* which was recently enacted. We will need to develop a process to review any reports sent to us under that Act.

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7.0 How we carry out our work

This section briefly describes key aspects of how we operate to generate independent assurance and advice under our mandate. In carrying out our work, we are guided by the following set of operating principles:

Operating principles

Independence

We conduct our work in an objective and unbiased manner.

Balanced perspective

We put forth well considered and fair conclusions based on analysis of all opinions and where appropriate, reporting on strengths as well as weaknesses.

Teamwork

We work together cooperatively and in a coordinated manner to achieve a common goal.

Accountability

We are accountable for our individual contributions to the products and services we provide.

Value-added work
We provide the Legislative Assembly with value-added reports.

Professional conduct
We adhere to the Office values of respect, honesty, integrity, and openness.

Professional excellence
We maintain sound audit methodology and meet the professional standards and competency requirements of our Office.

Financial stewardship
We use taxpayers' money efficiently and effectively.

Professional activities

Staff participate in several professional associations to contribute to the professional environment and to stay up-to-date. Most audit staff hold designations from one of the following organizations: The Institute of Chartered Accountants of Manitoba (ICAM), Certified General Accountants of Manitoba (CGA) or Certified Management Accountants of Manitoba (CMA). Other staff members have Masters in Public Administration degrees.

Greg MacBeth and Sandra Cohen participate on committees at the ICAM and Jo Johnson is on a CGA committee.

We participate in the standard-setting process by providing our comments on accounting and auditing and assurance standards being proposed for the public sector in Canada. As well, the Auditor General is a member of Canada's Auditing and Assurance Standards Board.

Nine staff members – Natalie Bessette-Asamadu, Corey Charman, Bradley Keefe, Fraser McLean, Pavel Peleg, Jon Stoesz, Erica Suderman, Marcia Vogt, and Angela Yang assist with the CA School of Business (CASB) as facilitators and Uniform Final Evaluation (UFE) exam markers, and Jeff Gilbert helped CASB by writing exam questions.

Staff also have memberships in the Institute of Internal Auditors, Financial Management Institute, Institute of Public Administration of Canada (IPAC), SAMPA (Students' Association for the Masters in Politics and Public Administration) and the Institute of Corporate Directors (ICD). Maria Capozzi and the Auditor General participate on the board of the local chapter of the ICD, and Maria Nyarku is on the board of IPAC Manitoba.

The Office was invited to present at a number of events throughout the year, including 2 national conferences and a chapter luncheon of the Institute of Corporate Directors. Workshops and presentations were provided to 4 public sector organizations, and to several university classes and provincial internship programs.

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Our designation as an articling office

The Office is approved by the Institute of Chartered Accountants of Manitoba as a training office and supports articling students seeking their Chartered Accountant (CA) designation. In 2011/12, we employed 4 full-time articling students. During the past year, we assisted students in completing their CA School of Business (CASB) requirements. The Office fosters an environment of continuous learning to ensure all educational requirements are met. The Office's Student Recruitment Development Committee supports students throughout their CASB studies, and preparation for the UFE exam. We have started discussions with central government and Crown corporations to explore ways that our Office can train students for positions in their organizations. Given the unique position of our Office with both student support for their studies and a broad exposure to Provincial public sector organizations, we are well positioned to train graduates for financial management positions. We would welcome this opportunity.

During the current year, one of our students, Troy Thompson, wrote and passed the UFE exam.

CCOLA

The Office is a member of the Canadian Council of Legislative Auditors (CCOLA), consisting of the Auditors General from each jurisdiction across Canada. We meet twice a year to discuss emerging issues and share practices in carrying out our mandate as legislative auditors. CCOLA has established several working committees. Our staff are represented on these committees. Participation on CCOLA and its committees benefits the legislative audit community by giving us access to each others' knowledge, information, and expertise. The CCOLA committees that we participated on in 2011/12 are:

- The Strategic Management Committee (Norm Ricard).
- The Human Resources Group (Norm Ricard).
- Health Study Group (Grant Voakes).
- Education Study Group (Vernon DePape).
- P3 Discussion Group (Susan Hay).
- The Peer Review Committee (Greg MacBeth).
- The Training Oversight Group (Vernon DePape and Grant Voakes).
- The Information Technology Group (Fraser McLean).
- The Governance Study Group (Maria Capozzi).

The Provincial Auditors General entered into a memorandum of understanding with the Office of the Auditor General of Canada to benefit from the services of a National Professional Practices Group (NPPG). The NPPG provides us with technical accounting and auditing advisory services and training support, on an as-needed basis.

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Quality assurance

Our Office participates in the Canadian Council of Legislative Auditors (CCOLA) peer review process where one legislative audit office reviews financial statement or value-for-money (VFM) audit files in another jurisdiction to provide an opinion on compliance with the professional standards of the Canadian Institute of Chartered Accountants (CICA). In January 2012, the Office of the Auditor General of Nova Scotia reviewed our Public Accounts financial statement audit file for the year ended March 31, 2011. In April 2012, the Office of the Auditor General of Canada reviewed the VFM audit file on *Manitoba's Participation in Canada's Economic Action Plan* published in June 2011. The opinions of both reviewing offices were that the audit engagements were carried out, in all significant respects, in accordance with generally accepted auditing standards of the CICA. The reports are included in Appendix C.

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8.0 Financial accountability

Our finances

The Legislative Assembly Management Commission (LAMC), an all-party Legislative Committee, reviews and approves our annual budget. LAMC is also responsible for approval of the auditor selected to audit our Office's financial statements. Craig & Ross Chartered Accountants, were appointed to conduct the financial statement audit of our Office for the period 2011/12 to 2015/16.

The Auditor General Act requires an annual audit of the Auditor General's office in Section 26(1) as follows:

> 26(1): Each year, an auditor whose appointment is approved by the Legislative Assembly Management Commission must examine the accounts of the office of the Auditor General and prepare a report. The Commission may also direct the auditor to conduct an audit respecting any of the matter listed in subsection 14(1).

For the past several years, the financial statements for the Office have been prepared using not-for-profit accounting standards. In last year's Operations report, we urged the LAMC to discuss their information needs before appointing an auditor for 2011/12. We pointed out that the Office is not a separate legal entity, that there is no requirement for a full set of financial statements prepared on this basis and that the detailed nature of the information provided may not have been needed by the Legislature or the public. When the auditors were appointed this year, LAMC agreed that the financial statements for the 2011/12 and future years could be limited to an accounting for the voted appropriations. LAMC retains the right to request additional audit work as described in *The Auditor General Act.*

Our budget process

Under Section 27(3) of *The Auditor General Act*, the Office receives funding from the Legislative Assembly appropriations. The Auditor General annually presents to the LAMC an estimate of the amount of money that will be required to conduct the work of the Office for the upcoming year.

The Office maintains a bank account to pay its operating expenses. The Province provides advances up to the amounts the LAMC has approved. The bank balance at March 31, 2012 was $73,795.

For the past 2 years, the Office operated within its allocated funding and returned unexpended balances to the Consolidated Fund under Section 27(4) of *The Auditor General Act.*

Year's operations

Overview of 2011/12 financial results

- The total amount authorized shown in the statement of expenditures increased by $42,000 over the prior year to cover general cost increases. The approved estimate for salaries and employee benefits has not changed since 2010.
- The categories disclosed in the statement of expenditures are those shown in the Province's Public Accounts under Appropriation 1.6. The financial statements note that pension, vacation and severance costs are prepared on a cash basis. This means that they do not include any associated amounts for these benefits that have been earned but not yet paid out. These unearned benefits are accruals which are included in the Public Accounts, but calculated on a global basis for all provincial employees, rather than at the appropriation level.
- The portion of the approved estimates that was not spent was $523,777, due primarily to staff vacancies not filled until later in the year. This included the Assistant Auditor General responsible for the financial statement audits who left at the end of the 2011 fiscal year. The position was held vacant during 2011/12 with the responsibilities of the position fulfilled by Greg MacBeth, the Assistant Auditor General of Quality Assurance and Professional Practices. Tyson Shtykalo, a former Principal in the Office, was appointed to the position on February 8, 2012.
- Professional development costs were below budget by about $100,000. The Office remains committed to investing in professional development for staff, linking the investment with learning plans. Certain expenditures were delayed pending the implementation of a revised competency-based performance management and development process.
- Capital asset acquisitions included laptop replacements and other computer hardware.

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Management's responsibility for financial statements

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2012 are the responsibility of management of the Office. Management has prepared the financial statements to comply with *The Auditor General Act* and in accordance with the basis of accounting described in the notes to the financial statements and, where appropriate, reflect management's best estimates and judgements. The financial information presented elsewhere in this Operations report is consistent with that in the financial statements.

The Office maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for the preparation of the financial statements.

The financial statements have been audited by the firm of Craig & Ross Chartered Accountants, in accordance with Canadian generally accepted auditing standards. Their report to the Members of the Legislative Assembly expresses their opinion on the financial statements of the Office.

Carol Bellringer, FCA, MBA
Auditor General
July 12, 2012

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Auditor's report

CRAIG & ROSS
CHARTERED ACCOUNTANTS

July 12, 2012

INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of Office of the Auditor General of Manitoba, which comprise the statements of revenues and expenditures for the year ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the disclosed basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the revenues and expenditures of the Office of the Auditor General of Manitoba, for the year ended March 31, 2012 in accordance with the basis of accounting described in Note 2.

The financial statements for the previous year were reported on by another firm of chartered accountants.

Craig & Ross

Chartered Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

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Statement of revenue

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Revenue

March 31, 2012

	Amount Estimated	Actual	Budget Variance
Main estimate	$ 500,000	$ -	$ -
Non-agency audit fees deposited	-	531,867	-
NET BEFORE ACCRUAL ADJUSTMENTS	500,000	531,867	$ 31,867
YEAR-END ACCRUAL ADJUSTMENTS	-	411,038	
NET	$ 500,000	$ 942,905	

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Statement of expenditures

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Expenditures

March 31, 2012

	Amount Authorized	Amount Expended	Unexpended Balance
Main estimate	$ 6,489,000	$ -	$ -
Personnel services	-	4,368,889	-
Transportation	-	28,022	-
Communication	-	116,805	-
Supplies and services	-	914,941	-
Debt servicing	-	393	-
Other operating	-	208,971	-
Minor capital	-	327,202	-
NET BEFORE ACCRUAL ADJUSTMENTS	6,489,000	5,965,223	$ 523,777
YEAR-END ACCRUAL ADJUSTMENTS	-	425,841	
NET	$ 6,489,000	$ 6,391,064	

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Notes to financial statements

Notes to Financial Statements

Year Ended March 31, 2012

1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

The Auditor General is appointed under The Auditor General Act (Chapter 39) as an officer of the Legislature. The Act provides for the establishment of the Office of the Auditor General of Manitoba (the Office) and sets out the authority and powers of the Auditor General, identifies the audit services to be provided, and establishes reporting responsibilities.

The Office is economically dependent on the Province of Manitoba. The annual estimates for the operations of the Office are approved by the Legislative Assembly Management Commission and are included in the Government's estimates which are voted through the Appropriation Act by the Legislative Assembly. The expenditures of the Office are reflected in the Public Accounts of the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

The Auditor General Act does not specify the financial reporting model to be used by the Office. The financial statements reflect the following policies:

Revenue

The Statement of Revenue is prepared on an accrual basis. An accrual adjustment of $411,038 has been recorded to reflect $17,785 to be drawn from the appropriation after March 31, 2012, and $393,253 in audit fees directly deposited to the Office's bank account during the year used to pay auditors engaged to conduct audits on behalf of the Office of the Auditor General.

Expenditures

The Statement of Expenditures is prepared on the accrual basis, except for pension, vacation and severance costs which are prepared on the cash basis. An accrual adjustment of $425,841 has been recorded to reflect an additional $31,036 to be drawn from the appropriation after March 31, 2012, and $394,805 paid to auditors engaged to conduct audits on behalf of the Office of the Auditor General.

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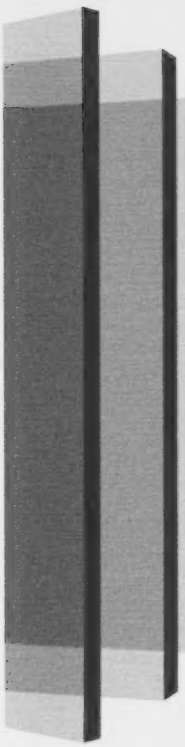

Appendices

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The Auditor General Act

Appendix A

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For the official version, please contact Statutory Publications.

C.C.S.M. c. A180

The Auditor General Act

Table of Contents

(Assented to July 6, 2001)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

PART 1

DEFINITIONS

Definitions

1 In this Act,

"department" means a department or branch of the government; (« ministère »)

"external auditor" means a professional auditor or firm of professional auditors appointed to audit the financial statements of a government organization; (« vérificateur externe »)

"government organization" means a department, government agency or fund included in the summary financial statements of the government reporting entity referred to in clause 65(1)(b) of *The Financial Administration Act*; (« organisme gouvernemental »)

"public money" means public money as defined in *The Financial Administration Act*; (« fonds publics »)

"recipient of public money" means

(a) a person, organization or other body

(i) that has received, directly or indirectly, a grant, loan or advance from the government or a government organization,

(ii) to whom the government or a government organization has transferred property for no consideration or consideration substantially less than its fair market value, or

(iii) for whom the government or a government organization has guaranteed the performance of an obligation or given an indemnity,

(b) a business entity or organization that has received a tax credit under a Manitoba law, or

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Appendix A (cont'd) The Auditor General Act

(c) a business entity or organization that has issued a share, debt obligation or other security, if a person is eligible for a tax credit under a Manitoba law in respect of that acquisition or ownership of the security,

but does not include a government organization. (« bénéficiaire de fonds publics »)

PART 2

AUDITOR GENERAL

Appointing the Auditor General
2(1) On the recommendation of the Standing Committee of the Assembly on Legislative Affairs, the Lieutenant Governor in Council must appoint an Auditor General of Manitoba, as an officer of the Assembly, to provide the Assembly with independent information, advice and assurance under this Act.

Role respecting government policy objectives
2(2) Nothing in this Act is to be interpreted as entitling the Auditor General to question the merits of policy objectives of government.

S.M. 2004, c. 42, s. 97.

Appointment process
3(1) The President of the Executive Council must convene a meeting of the Standing Committee on Legislative Affairs if

(a) the office of Auditor General is vacant;

(b) the term of the Auditor General in office will expire within 12 months; or

(c) the Auditor General has resigned and the resignation takes effect within 12 months.

Recommendations of committee
3(2) The Standing Committee on Legislative Affairs must consider candidates for the position of Auditor General and make recommendations to the President of the Executive Council.

Meetings of committee
3(3) To carry out its responsibilities, the Standing Committee on Legislative Affairs may meet during a session of the Legislature or during a recess after prorogation.

No other public office
3(4) The Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

S.M. 2004, c. 42, s. 97.

Term
4 The Auditor General is to hold office during good behaviour for a term of 10 years, and may be reappointed for further terms of 10 years each.

Salary
5(1) The Auditor General must be paid a salary within the range of salaries paid to senior deputy ministers in the civil service, and is entitled to the same privileges of office as a senior deputy minister.

No reduction in salary

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The Auditor General Act

Appendix A (cont'd)

5(2) The Auditor General's salary must not be reduced except by a resolution of the Assembly carried by a vote of 2/3 of the members voting.

Civil Service Superannuation Act applies
6(1) The Auditor General is an employee within the meaning of *The Civil Service Superannuation Act*.

Civil Service Act does not apply
6(2) *The Civil Service Act*, except sections 42 and 43, does not apply to the Auditor General.

Suspension or removal
7(1) The Lieutenant Governor in Council may suspend or remove the Auditor General from office on a resolution of the Assembly carried by a vote of 2/3 of the members voting.

Suspension if Assembly not sitting
7(2) When the Assembly is not sitting, the Lieutenant Governor in Council may suspend the Auditor General for cause, if advised to do so in writing by a majority of a committee consisting of the President of the Executive Council and the recognized leaders of the members belonging to the political parties in opposition. But a suspension imposed when the Assembly is not sitting may not continue beyond the end of the next sitting.

Deputy Provincial Auditor General
8(1) On the Auditor General's recommendation, the Lieutenant Governor in Council may appoint a Deputy Auditor General in accordance with *The Civil Service Act*.

Duties
8(2) If the Auditor General is absent or unable to act or if the office is vacant, the Deputy Auditor General has the powers and must carry out the responsibilities of the Auditor General.

Salary in certain cases
8(3) During any period that the Deputy Auditor General must assume the Auditor General's responsibilities for an extended period, the Lieutenant Governor in Council may direct that the Deputy be paid a salary within the same range as the Auditor General.

No other public office
8(4) The Deputy Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

PART 3

RESPONSIBILITIES OF THE AUDITOR GENERAL

AUDIT OF ACCOUNTS AND FINANCIAL STATEMENTS

Audit of government accounts
9(1) The Auditor General is the auditor of the accounts of the government, including those relating to the Consolidated Fund, and must make any examinations and inquiries that he or she considers necessary to enable the Auditor General to report as required by this Act.

Audit of other public money
9(2) The Auditor General is responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise.

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Appendix A (cont'd) The Auditor General Act

Audit of the Public Accounts
9(3) The Auditor General is responsible for examining and auditing the financial statements included in the Public Accounts under *The Financial Administration Act*, and any other statements the Minister of Finance presents for audit.

Opinion about the Public Accounts
9(4) The Auditor General must express an opinion as to whether the financial statements included in the Public Accounts fairly present information in accordance with the accounting policies of the government stated in the Public Accounts and on a basis consistent with that of the preceding year, and must set out any reservations the Auditor General might have.

Report to ministers
9(5) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly under subsection 10(1).

Advice to officials
9(6) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

Annual report to Assembly
10(1) No later than December 31 in each year, the Auditor General must report to the Assembly about the examinations and audits conducted under section 9.

Content of the report
10(2) The report must indicate anything resulting from the work of the Auditor General that he or she considers should be brought to the Assembly's attention, including, but not limited to, circumstances in which

(a) required information was not provided or was not provided within a reasonable time;

(b) accounts were not properly kept or public money was not fully accounted for;

(c) essential records were not maintained, or the rules and procedures applied were insufficient, to

(i) safeguard and control public property,

(ii) secure an effective check on the assessment, collection and proper allocation of revenue, or

(iii) ensure that expenditures were made only as authorized;

(d) public money was expended for purposes other than those for which it was appropriated by the Legislature;

(e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

Report may include recommendations
10(3) The report may include any recommendation the Auditor General wishes to make, and may

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The Auditor General Act

Appendix A (cont'd)

draw attention to and make recommendations about any audit conducted by an external auditor under section 12.

SPECIAL REPORT TO ASSEMBLY

Special report to Assembly
11 The Auditor General may make a special report to the Assembly on any matter of pressing importance or urgency that he or she considers should not be deferred until the next annual report under section 10 is presented.

AUTHORITY OVER EXTERNAL AUDITORS

Scope of an external audit
12(1) When an external auditor is appointed to audit the financial statements of a government organization, the Auditor General may require the external auditor to give the Auditor General a description of the proposed scope of the audit before the audit is begun. The Auditor General may then require changes to be made in the scope of the audit.

Further directions
12(2) Before an external auditor issues an audit opinion on the financial statements of a government organization, the Auditor General may require the external auditor to

(a) give the Auditor General a copy of the proposed audit opinion, the financial statements, and any recommendations arising out of the audit of the financial statements; and

(b) conduct additional examinations relating to the financial statements.

Audit working papers
12(3) The Auditor General may require an external auditor to give the Auditor General a copy of the audit working papers.

Audit opinion
12(4) As soon as an audit is completed, an external auditor must give the Auditor General a copy of the audit opinion on the financial statements of a government organization and any recommendations arising out of the audit of the financial statements.

Reliance on external auditor's report
13 In order to fulfil his or her responsibilities as the auditor of the government's accounts, the Auditor General may rely on the report of an external auditor of a government organization or of a subsidiary of a government organization.

AUDIT OF OPERATIONS

Audit of operations
14(1) In carrying out his or her responsibilities under this Act, the Auditor General may examine and audit the operations of a government organization with regard to any of the following matters:

(a) whether financial and administrative provisions of Acts, regulations, policies and directives have been complied with;

(b) whether public money has been expended with proper regard for economy and efficiency;

(c) whether the Assembly has been provided with appropriate accountability information;

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Appendix A (cont'd) The Auditor General Act

(d) whether the form and content of financial information documents is adequate and suitable.

Report to ministers
14(2) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly.

Report to officials
14(3) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

Report to Assembly
14(4) The Auditor General must report to the Assembly annually on the work carried out under this section, and may bring to the Assembly's attention anything he or she considers necessary, including recommendations.

AUDIT OF RECIPIENT OF PUBLIC MONEY

Audit of recipient of public money
15(1) The Auditor General may conduct an examination and audit in respect of public money received by a recipient of public money, including the matters listed in subsection 14(1), and may require the recipient to prepare and give to the Auditor General the financial statements setting out the details of the disposition of the public money received.

No obstruction
15(2) No person shall obstruct or provide false or misleading information to the Auditor General or a person employed under the Auditor General in conducting an examination or audit under this section, or conceal or destroy any records or things relevant to an examination or audit.

Offence
15(3) A person who contravenes subsection (2) is guilty of an offence and is liable on summary conviction to a fine of not more than $10,000.

Reliance on report of other auditor
15(4) The Auditor General may rely on the report of an auditor appointed by a recipient of public money.

SPECIAL AUDIT ON REQUEST

Special audit on request
16(1) When requested to do so by the Lieutenant Governor in Council or the Minister of Finance, or by resolution of the Standing Committee on Public Accounts, the Auditor General may examine and audit the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. But the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General.

Report
16(2) The Auditor General must report the findings of an audit under this section to the person or body that requested the audit and to the minister responsible for any government organization concerned.

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Appendix A (cont'd)

Report submitted to the Assembly
16(3) The Auditor General may submit a report of an audit under this section to the Assembly if it is in the public interest to do so, but must allow at least 14 days for the minister responsible for the government organization and the Minister of Finance to review and comment on the report before finalizing it for submission to the Assembly.

JOINT AUDIT

Joint audit
17 With respect to public money that is spent jointly, the Auditor General may undertake a joint audit with the Auditor General of Canada, an Auditor General or Provincial Auditor of another province or territory, or an auditor of a municipality.

PART 4

POWERS OF THE AUDITOR GENERAL

Access to records
18(1) Despite any other Act, the Auditor General is entitled to access at all reasonable times to the records of any government organization that are necessary for the purpose of this Act.

Access to information
18(2) The Auditor General may require and is entitled to receive any information necessary for the purpose of this Act from

(a) any person in the public service or formerly in the public service;

(b) any current or former director, officer, employee or agent of a government organization or of a recipient of public money; or

(c) any other person, organization or other body that the Auditor General believes on reasonable grounds may have information relevant to an examination or audit under this Act.

No access to Cabinet confidences
18(3) Despite subsections (1) and (2), the Auditor General shall not have access to information described in subsection 19(1) of *The Freedom of Information and Protection of Privacy Act*, except in the circumstances mentioned in subsection 19(2) of that Act.

Part V of Evidence Act powers
19 The Auditor General or his or her delegate may examine any person on oath on any matter that the Auditor General considers relevant to an examination and audit under this Act, and for that purpose the Auditor General or delegate has the powers of a commissioner appointed under Part V of *The Manitoba Evidence Act*.

Staff in government organizations
20 To carry out responsibilities under this Act more effectively, the Auditor General may place a person or persons employed under the Auditor General in any government organization, and the organization must provide the necessary office accommodation.

Security requirements
21 The Auditor General must ensure that every person employed under the Auditor General who is to examine records of a government organization complies with any security requirements applicable to persons employed in that organization.

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Appendix A (cont'd) The Auditor General Act

PART 5

GENERAL PROVISIONS

STAFF AND OFFICE OF THE AUDITOR GENERAL

Staff appointed under Civil Service Act
22(1) Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*.

Civil Service Superannuation Act applies
22(2) Officers and employees of the Auditor General, including the Deputy Auditor General, are employees within the meaning of *The Civil Service Superannuation Act*.

Office of the Auditor General
23 The Auditor General is responsible for the internal operations of his or her office and for the persons employed under the Auditor General. For those purposes, the Auditor General may

(a) establish office policies and procedures consistent with practices followed by the government;

(b) charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council;

(c) delegate to any person employed under the Auditor General any responsibility or power that the Auditor General has under this Act, other than the responsibility to report to the Assembly;

(d) maintain an independent bank account; and

(e) contract for professional services.

CONFIDENTIALITY

Confidentiality
24(1) The Auditor General and everyone employed under the Auditor General shall preserve secrecy concerning all matters that come to their knowledge in the course of their work under this Act, and shall not communicate those matters to any person unless required to do so in connection with the proper administration of this Act or a proceeding under this Act, or in a court of law.

Exception
24(2) Nothing in subsection (1) limits the Auditor General's right to report under this Act on the conclusions of an examination or audit.

Working papers confidential
25 The working papers relating to an examination or audit by the Auditor General or a person employed under the Auditor General are confidential and must not to be laid before the Assembly or any committee of the Assembly.

ANNUAL REPORT OF AUDITOR GENERAL'S OFFICE

Annual audit of Auditor General's office
26(1) Each year, an auditor whose appointment is approved by the Legislative Assembly Management Commission must examine the accounts of the office of the Auditor General and prepare

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The Auditor General Act

Appendix A (cont'd)

a report. The Commission may also direct the auditor to conduct an audit respecting any of the matters listed in subsection 14(1).

Annual report
26(2) Before August 1 each year, the Auditor General must report to the Assembly on the operations of his or her office. The report must include

(a) information on the performance of the office; and

(b) the report on the annual audit under subsection (1).

ESTIMATES

Estimates
27(1) The Auditor General shall present annually to the Legislative Assembly Management Commission estimates of the amount of money that will be required for the purpose of this Act.

Special report
27(2) The Auditor General may make a special report to the Assembly if he or she thinks that the amount of money provided in the estimates submitted to the Legislature is inadequate.

Money
27(3) The money required for the purpose of this Act is to be paid out of the Consolidated Fund from money authorized by an Act of the Legislature.

Unexpended money to be paid into Consolidated Fund
27(4) All money which has been authorized by an Act of the Legislature to be paid and applied for the purposes of this Act that remains unexpended at the end of the fiscal year must be paid to the Minister of Finance and becomes part of the Consolidated Fund.

TABLING REPORTS IN THE ASSEMBLY

Tabling reports in the Assembly
28(1) When making a report to the Assembly under this Act, the Auditor General must submit the report to the Speaker. The Speaker must lay a copy of it before the Assembly within 15 days after receiving it if the Assembly is sitting or, if it is not, within 15 days after the beginning of the next sitting.

Distribution to members of the Assembly
28(2) On receiving a report under this Act, the Speaker must direct that copies be sent to the members of the Assembly.

Referral to Public Accounts Committee
28(3) A report to the Assembly under this Act stands referred to the Standing Committee on Public Accounts.

PROTECTION FROM LIABILITY

Protection from liability
29 No proceeding may be instituted against the Auditor General, the Deputy Auditor General, or any person employed under the Auditor General,

(a) for any act done in good faith in the performance or intended performance of a duty or in the

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Appendix A (cont'd) The Auditor General Act

exercise or intended exercise of a power under this or any other Act or regulation; or

(b) for any neglect or default in the performance or intended performance or in the exercise or intended exercise in good faith of a duty or power described in clause (a).

TRANSITIONAL, CONSEQUENTIAL, REPEAL AND COMING INTO FORCE

Transitional

30 *The Provincial Auditor appointed under* ***The Provincial Auditor's Act*** *continues in office as the Auditor General under this Act as if appointed under this Act for a term that expires on the day the appointment under* ***The Provincial Auditor's Act*** *would expire.*

31

NOTE: The Schedule referred to in this section contained consequential amendments to other Acts that are now included in those Acts.

Repeal

32 *The Provincial Auditor's Act*, R.S.M. 1987, c. P145, is repealed.

C.C.S.M. reference

33 This Act may be referred to as chapter A180 of the *Continuing Consolidation of the Statutes of Manitoba.*

Coming into force

34 This Act comes into force on a day fixed by proclamation.

NOTE: S.M. 2001, c. 39 was proclaimed in force May 1, 2002.

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Listing of financial statement audits

Appendix B

Financial statement audits conducted by the Auditor General's Office

Public Accounts

Summary Financial Statements
Fiscal Stabilization Account
Debt Retirement Account
Report of Amounts Paid or Payable to Members of the Assembly

Crown Organizations

Board of Administration under The Embalmers and Funeral Directors Act
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Manitoba Gaming Control Commission
Manitoba Health Services Insurance Plan
Manitoba Housing and Renewal Corporation
Public Schools Finance Board
Special Operating Agencies Financing Authority
University of Manitoba
University of Winnipeg

Other

Canada-Manitoba Agreement on the Transfer of Federal Gas Tax Revenues
Civil Service Superannuation Fund
Public Service Group Insurance Fund
Teachers' Retirement Allowances Fund
University of Manitoba Pension Plans
Winnipeg Child and Family Services Employee Benefits Retirement Plan

Financial statement audits conducted by the Auditor General's Office under an agency agreement with a private sector accounting firm

Crown Organizations

Brandon University
Council on Post Secondary Education
Economic Innovation and Technology Council
Helen Betty Osborne Foundation
Leaf Rapids Town Properties Ltd.
Legal Aid Services Society of Manitoba
Manitoba Agricultural Services Corporation
Manitoba Centennial Centre Corporation

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Appendix B (cont'd) Listing of financial statement audits (cont'd)

Manitoba Habitat Heritage Corporation
Manitoba Horse Racing Commission
Manitoba Water Services Board
University College of the North

Special Operating Agencies

Manitoba Text Book Bureau
Organization and Staff Development
Public Trustee

Other

Brandon University Retirement Plan
Estates and Trusts under Administration by the Public Trustee
Labour Market Agreement
Labour Market Development Agreement
Provincial Territorial Base Funding Agreement
Trucking Productivity Improvement Fund
University of Winnipeg Pension Plan

Financial statement audits conducted by private sector accounting firms with overviews performed by the Office of the Auditor General

Crown Organizations

Addictions Foundation of Manitoba
Assiniboine Community College
Cancer Care Manitoba
Centre culturel franco-manitobain
Collège universitaire de Saint-Boniface
Communities Economic Development Fund
Crown Corporations Council
Diagnostic Services of Manitoba Inc.
First Nations of Northern Manitoba Child & Family Services Authority
First Nations of Southern Manitoba Child & Family Services Authority
General Child and Family Services Authority
Insurance Council of Manitoba
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Community Services Council Inc.
Manitoba Development Corporation

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Listing of financial statement audits (cont'd)

Appendix B (cont'd)

Manitoba Film and Sound Recording Development Corporation
Manitoba Floodway Authority
Manitoba Hazardous Waste Management Corporation
Manitoba Health Research Council
Manitoba Opportunities Fund Ltd.
Manitoba Trade and Investment Corporation
Métis Child and Family Services Authority
21 Personal Care Homes and 11 Health Clinics
Red River College
Regional Health Authorities:

- Assiniboine Regional Health Authority Inc.
- Brandon Regional Health Authority Inc.
- Burntwood Regional Health Authority Inc.
- Churchill Regional Health Authority Inc.
- Interlake Regional Health Authority Inc.
- Nor-Man Regional Health Authority Inc.
- North Eastman Health Authority Inc.
- Parkland Regional Health Authority Inc.
- Regional Health Authority – Central Manitoba Inc.
- South Eastman Health/Sante Sud-Est Inc.
- Winnipeg Regional Health Authority Inc.

Rehabilitation Centre for Children Inc.
38 School Divisions
Sport Manitoba Inc.
Travel Manitoba
Venture Manitoba Tours Ltd.

Government Enterprises

Manitoba Hydro-Electric Board
Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board of Manitoba

Special Operating Agencies

Civil Legal Services Agency
Companies Office
Crown Lands and Property Agency
Vehicle and Equipment Management Agency
Green Manitoba Eco Solutions
Food Development Centre

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Appendix B (cont'd) Listing of financial statement audits (cont'd)

Industrial Technology Centre
Manitoba Education Research and Learning Information Networks (MERLIN)
Manitoba Securities Commission
Materials Distribution Agency
Office of the Fire Commissioner mailbox.
Pineland Forest Nursery
Property Registry
Vital Statistics Agency

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Quality assurance

Appendix C

Office of the Auditor General

1888 Brunswick Street, Suite 302
Halifax, Nova Scotia
B3J 3J8 Canada

902•424•5907 tel
902•424•4350 fax
www.oag-ns.ca

April 26, 2012

Ms. Carol Bellringer, FCA, MBA
Auditor General of Manitoba
500-330 Portage Ave
Winnipeg MB R3C 0C4

Dear Madam:

We have carried out the post-audit issuance quality assurance review of the financial statements of Public Accounts of Manitoba for the year ended March 31, 2011. Our work was carried out in accordance with the protocol of engagement for the inter-jurisdictional review signed on January 17, 2012.

The objective of this engagement is to conduct a post-audit issuance review for financial statement attest audits to issue a conclusion on compliance with generally accepted auditing standards of the Canadian Institute of Chartered Accountants (CICA). The review criteria used are part of the review tools approved by the Canadian Council of Legislative Auditors (CCOLA). These tools were established based on CICA standards and on issues deemed important by CCOLA. These review tools are the "Quality Assurance Guiding Principles" and the "Post-Audit Issuance Review Guides for Financial Statement Attest Audits.

In our opinion, the audit engagement examined was carried out, in all significant respects, in accordance with generally accepted auditing standards of the CICA.

We have shared our observations with the person responsible for the engagement; however, these observations by no means affect the quality of the engagement examined, the work done, or the issuance of our conclusion on compliance with CICA professional standards. We also shared our observations on good practices.

In conclusion, we would like to thank Tyson Shtykalo, the practitioner responsible for the engagement examined, and the members of his team for their close co-operation throughout this review.

Sincerely,

Ann McDonald, CA
Assistant Auditor General

Janet White, CA-CISA
Audit Principal

C. Greg MacBeth, CA
Assistant Auditor General Professional Practices and Quality Assurance
Office of the Auditor General of Manitoba

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Appendix C (cont'd) Quality assurance (cont'd)

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

9 May 2012

Ms. Carol Bellringer
Auditor General of Manitoba
Office of the Auditor General of Manitoba
500 – 330 Portage Street
Winnipeg, Manitoba
R3C 0C4

Dear Ms. Bellringer,

We have carried out the post-audit issuance quality assurance review of the VFM report on Manitoba's Participation in Canada's Economic Action Plan published on June 15, 2011. Our work was carried out in accordance with the protocol of engagement for the inter-jurisdictional review signed on April 19, 2012.

The objective of this engagement is to conduct a post-audit issuance review for VFM audits to issue a conclusion on compliance with generally accepted auditing standards of the Canadian Institute of Chartered Accountants (CICA). The review criteria used are part of the review tools approved by the Canadian Council of Legislative Auditors (CCOLA). These tools were established based on CICA standards and on issues deemed important by CCOLA. These review tools are the "Quality Assurance Guiding Principles" and the "Post-Audit Issuance Review Guides for VFM Audits.

In our opinion, the audit engagement examined was carried out, in all significant respects, in accordance with generally accepted auditing standards of the CICA. We have shared our observations with the person responsible for the engagement.

In conclusion, we would like to thank Norm Ricard, Greg MacBeth, Jeff Gilbert and Erika Thomas for their close co-operation throughout this review.

Sincerely,

Raymond Kunze
Director

Sophia Khan
Audit Project Leader

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